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FM AMEMBASSY SINGAPORE  
TO RUEHC/SECSTATE WASHDC 3390  
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RUEAIIA/CIA WASHDC  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RHMCSSU/DEPT OF ENERGY WASHINGTON DC

UNCLAS SECTION 01 OF 02 SINGAPORE 001164

SIPDIS

SENSITIVE  
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STATE PASS USTR FOR AUSTR WEISEL AND DAUSTR JENSEN  
COMMERCE FOR JBAKER

E.O. 12958: N/A

TAGS: EPET ENRG EINV ETRD EFIN ECON SN  
SUBJECT: AMENDED GAS ACT: JUST HOT AIR?

REF: A) SINGAPORE 996

B) 06 SINGAPORE 1916

(U) NOT FOR INTERNET DISTRIBUTION

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DISREGARD SINGAPORE 1164.

MESSAGE WILL BE RESENT UNDER ANOTHER MRN.

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¶1. (SBU) Summary: Singapore's amended Gas Act came into effect June 11, holding out promise that U.S. company InterGen might finally become the first non-government entrant into the heretofore tightly controlled electricity market. However, looming contract deadlines and legal uncertainties continue to cloud the horizon for InterGen's local subsidiary, Island Power. The long-delayed legislation aims to increase competition in Singapore's natural gas sector by authorizing the Energy Market Authority (EMA) to grant new players access to existing pipelines. The Act also allows EMA to increase the number of gas import licenses in order to enhance the security and reliability of the gas supply (i.e., through shipments of liquefied natural gas).  
End summary.

Island Power's Struggle for Access

¶2. (SBU) InterGen, through Island Power, has been developing a 785MW natural gas-fired power station in Singapore since 2002. However, its S\$1 billion (US\$650 million) investment has been continually plagued by uncertainties about pipeline access. InterGen recently completed financing arrangements and construction contracts for this project, which include Indonesian gas provided by ConocoPhillips, but arbitration between two Singapore government-linked companies (GLCs)

- PowerGas and Gas Supply Q- has prevented third-party access to the section of pipeline that brings this gas onshore to Singapore.  
(Note:  
Gas Supply, the sole user of PowerGas' underutilized pipeline, initiated legal proceedings in 2004 to prevent third-party access.  
According to press reports, the arbitration was recently concluded with an undisclosed settlement. End note.)

Don't Open That Spigot Just Yet  
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¶4. (SBU) Island Power's managing director, Michael Reading, told us that, while he was optimistic about the project's continued viability, major hurdles still remained. He noted that the new law would not immediately resolve the access issue; EMA would have to exercise its legislated authority for this to happen. (Note: Press reports indicate EMA has given only a broad timeframe -- possibly six months or longer -- during which it will "thrash out pipeline access issues."  
End note.) InterGen in the meantime is still obligated to honor several tight contract deadlines with private companies involved in the power plant's construction, as well as with the Indonesian government. Reading expressed concern, as also reported in the press, that Indonesia might terminate its gas supply agreement with Island Power due to the continued delays. InterGen would likely withdraw its investment if this were the case, Reading concluded.

¶5. (SBU) Reading also anticipated that his GLC competitors might challenge the new law. He relayed that in a recent meeting between Island Power and Gas Supply, ostensibly to reach an access agreement without EMA's intervention, Gas Supply representatives told him that

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\* Missing Section 002 \*  
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